

# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

### Cedar City Field Office

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S/001/058

**In Reply Refer To:**

UT-042

3809: UTU-79716

**Certified Mail: # 7002 0860 0007 1304 7607**

**Return Receipt Requested**

January 24, 2003

Mr. Larry C. Apple  
Secretary-Treasurer  
Red Emerald Inc.  
3005 W Highway 6  
Delta, Utah 84624

**RECEIVED**

**FEB 03 2003**

DIV. OF OIL, GAS & MINING

Dear Mr. Apple:

This letter is in regard to Red Emerald Inc.'s (REI) pending plan of operations for the Red Emerald Mine located in the southern Wah Wah Mtns., Beaver County, Utah. The proposed mine site is located entirely on BLM-managed lands administered through the Cedar City Field Office. The plan of operations was originally received in this office on December 28, 2001, and serialized as BLM case file UTU-79716. The proposed mine has been serialized by the State of Utah, Division of Oil, Gas and Mining (Division) as small mine permit S/001/058. The plan of operation proposes surface mining operations to recover gem and specimen grade red beryl within portions of the NW $\frac{1}{4}$  of section 29 and the NE $\frac{1}{4}$  of section 30, T. 29 S., R. 14 W. The plan calls for re-initiating surface mining operations on a portion of Gemstone Mining Inc.'s (GMI's) Ruby Violet Project, which is presently undergoing reclamation by GMI. The area to be disturbed by REI mine operations is estimated at just under 5 acres.

Through letter dated January 28, 2002, directed to Mr. Earle Foster of REI, I informed you that this office had completed its initial review of the REI plan of operations and had concluded that the environmental assessment previously completed for the former Gemstone Mining Inc. (GMI) mine operation, encompassing the same lands, would be adequate to cover the operations proposed by REI. That initial review did identify several issues that needed further clarification, and made plan approval subject to the satisfactory resolution of those issues. No further action was taken by REI to finalize the plan until on January 8, 2003, when I received a letter from you requesting the reactivation of REI proposed plan. Your letter requested that I contact Mr. Christensen of Construction and Mining Services to resolve any remaining issues preventing plan approval, and informed me that REI was prepared to post any financial guarantee necessary in conjunction with plan approval. It is my understanding that part of the delay in following through with the original plan deficiencies was due to the need for REI to complete necessary legal procedures to clear title to the land encompassed by the plan.

On January 16, 2003 (during a joint inspection conducted with Mr. Munson and Mr. Baker of the Division of the GMI mine site to assess reclamation progress under GMI's reclamation plan), I met with Mr. Christensen at the proposed REI mine site and we discussed the issues raised in my letter of January 28, 2002. As you are aware, one of these issues revolves around the coordination and transfer of various reclamation responsibilities from GMI to REI. I told Mr. Christensen during that inspection that I would transmit to him any remaining deficiencies or changes necessary to complete the plan. While I fully expect to be able to follow through on that shortly, I want to make you aware of an immediate requirement I have imposed on REI that will need REI to take action before March 1, 2003. In a letter from this office to GMI dated January 22, 2003, I requested GMI delay carrying out their

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approved reclamation plan with regard to reclamation of the mine gate, the mine access road and the upper mine pad and mine office structure, since these site improvements were proposed for use under the REI pending plan. Since GMI has made it clear that they would like to complete the reclamation work under their approved reclamation plan and recover any remaining bond monies as soon as possible, I felt it was appropriate to require REI to assume reclamation responsibility for these improvements along with my request that GMI postpone reclamation of these improvements. I have only requested GMI delay reclamation of these features to March 1, 2003 to give REI sufficient time to assume reclamation responsibilities for these features. While it is possible that REI's pending plan can be fully approved before this date, I feel it would be prudent for REI to post at least a partial bond to protect these improvements from GMI reclamation until full plan approval.

Based on REI's current reclamation cost estimate for its pending plan, the 3<sup>rd</sup> party reclamation cost to reclaim the mine gate, the access road from the gate to the upper mine area, and the mine office building and adjacent pad is \$5,600. Current guidance to this office directs me to adjust this base estimate for contractor's profit (10%), contingency (10%), BLM contract administration (16%), and BLM administrative overhead (17.8%). Adjusting for these four add-ons increases the base estimate of \$5,600 by 53.8% or \$3,000. The total partial bond to secure these site improvements from GMI reclamation is \$8,600. An acceptable financial guarantee in this amount needs to be in place by March 1, 2003 to secure these improvements.

Alternatively, REI may choose to post a financial guarantee to cover the estimated 3<sup>rd</sup> party reclamation cost for the entire proposal. Your estimate of this cost is \$15,800.00. Adjusting this base amount for the add-ons yields a total estimate of \$24,300.00.


I have transmitted to Ms. Opie Abeyta of the BLM Utah State Office the above financial guarantee estimates and Ms. Abeyta will be sending you a request and the necessary forms shortly. You can contact her directly at 801-539-4123 if you have any questions related to the types of financial guarantees that are acceptable.

Once the financial guarantee is posted with BLM, BLM would request that the Division release GMI from any further reclamation liability for these improvements. If at least the partial financial guarantee was not be received by the deadline, GMI may proceed to complete any site reclamation called for in GMI's approved reclamation plan to progress towards full site reclamation and bond release.

I would also take this opportunity to inform you that it is BLM's intent to make approval of the REI proposal subject to REI acceptance of full responsibility for any reclamation measures necessary in the future within the REI project area. GMI's responsibility for reclamation would be limited to only those areas falling outside the areas encompassed by the REI proposal as soon as the REI proposal is fully approved. For example, should the GMI re-seeding of the mine site fail and the mine site require re-seeding next year, GMI would not be required to re-seed the REI mine area. Instead, REI would be responsible for the REI mine area, including possible re-seeding to prevent the establishment of undesirable species, if REI mining not yet commenced site activity at that time.

I request that you, or some representative of REI, contact me immediately if anything in the letter is unclear or unacceptable to REI. I can be reached at the letterhead address, by phone at 435-865-3040, and by e-mail at [Ed\\_Ginouves@ut.blm.gov](mailto:Ed_Ginouves@ut.blm.gov).

Sincerely,



Ed Ginouves  
Mining Engineer

cc: Tom Munson, DOGM, 1594 W North Temple, Suite 1210, Salt Lake City, Utah 84114-5801  
Clint Christensen, CMS, 599 N 800 W, #6, Cedar City, UT 84720  
Daniel A. Jenson, Parr, Waddoups, Brown, Gee & Loveless, 185 South State Street, Suite 1300, Salt Lake City, Utah 84111-1537  
Mr. Dominique Merz, c/o Knightsbridge Asset Management, 660 Newport Center Drive, Suite 460 Newport Beach, CA 92660-6405